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# ANNUAL REPORT

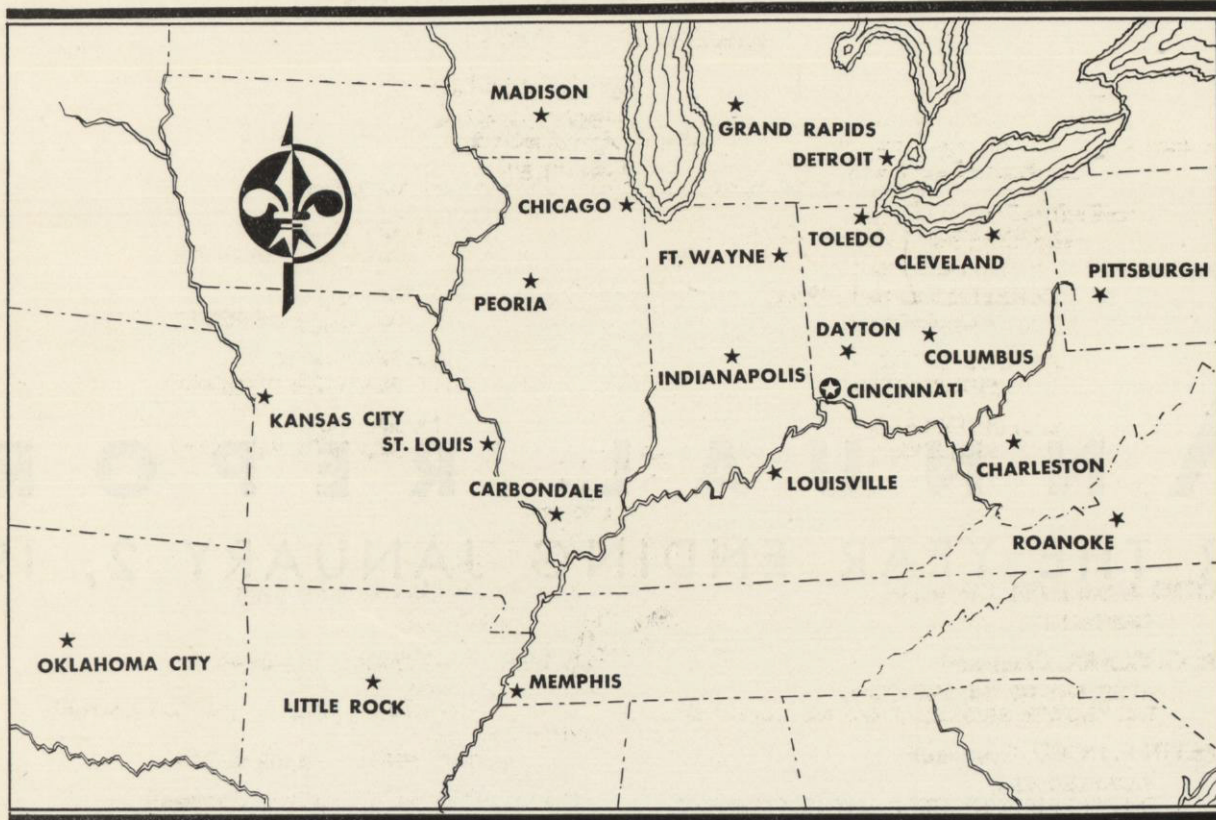
FOR THE YEAR ENDING JANUARY 2, 1932

THE KROGER  
GROCERY & BAKING COMPANY  
CINCINNATI OHIO





# MAP OF KROGER OPERATIONS



**K**ROGER BRANCH HEADQUARTERS are located in the cities shown on the above map. An office, warehouse, and transportation unit are maintained in each city. At a number of adjacent points, sub-warehouses are operated under the supervision of Branches, for the purpose of serving Kroger stores in the surrounding communities. Kroger bakeries are operated in Chicago, Cincinnati, Cleveland, Columbus, Detroit, Ft. Wayne, Grand Rapids, Indianapolis, Louisville, Madison, Memphis, Roanoke and St. Louis. Coffee roasting operations are carried on in Chicago, Cincinnati, Detroit and St. Louis. Dairies are operated in Cincinnati, Dayton, Grand Rapids, Indianapolis and Toledo. Packing plants are located at Cincinnati and Columbus.

In addition, the company operates its own sausage plant, beverage plants, printing plants and laundry at strategic points. In a factory in Cincinnati candy, tea, olives, mustard, spices, vanilla and various other miscellaneous items are manufactured and packaged for sale in stores under the brand names of the company. A factory manufacturing store fixtures and equipment is operated at Jackson, Tenn., by a Kroger subsidiary.

The Kroger Company operates stores in seventeen states throughout the Middle West. The states and the number of stores in each, as of the close of the fiscal year 1931, are as follows: Arkansas, 90; Illinois, 614; Indiana, 389; Kansas, 46; Kentucky, 254; Michigan, 988; Minnesota, 1; Mississippi, 30; Missouri, 560; North Carolina, 5; Ohio, 1,287; Oklahoma, 53; Pennsylvania, 157; Tennessee, 151; Virginia, 63; West Virginia, 89; Wisconsin, 107.



# THE KROGER GROCERY & BAKING COMPANY

Executive Offices: 35 East Seventh Street  
CINCINNATI, OHIO

## OFFICERS

ALBERT H. MORRILL, PRESIDENT AND GENERAL MANAGER

CHARLES M. ROBERTSON,  
VICE-PRESIDENT AND TREASURER

CLARENCE O. SHERRILL,  
VICE-PRESIDENT

ALVIN E. DODD,  
VICE-PRESIDENT

L. J. HUERKAMP,  
SECRETARY

F. M. GRIEME,  
ASSISTANT TREASURER

T. S. BURNS,  
ASSISTANT SECRETARY

J. M. MARKLEY,  
ASSISTANT SECRETARY

J. H. SADLER,  
ASSISTANT SECRETARY

## DIRECTORS

OTTO ARMLEDER, Cincinnati  
CAPITALIST

R. G. CLARK, Cincinnati  
ASSISTANT TO THE PRESIDENT,  
THE KROGER GROCERY & BAKING COMPANY

ALVIN E. DODD, Cincinnati  
VICE-PRESIDENT,  
THE KROGER GROCERY & BAKING COMPANY

WALTER A. DRAPER, Cincinnati  
PRESIDENT,  
THE CINCINNATI STREET RAILWAY COMPANY

CHARLES W. DUPUIS, Cincinnati  
PRESIDENT, THE CENTRAL TRUST COMPANY

JOHN M. HANCOCK, New York  
PARTNER, LEHMAN BROTHERS

L. J. HUERKAMP, Cincinnati  
SECRETARY,  
THE KROGER GROCERY & BAKING COMPANY

B. H. KROGER, JR., Cincinnati  
CAPITALIST

ALBERT H. MORRILL, Cincinnati  
PRESIDENT,  
THE KROGER GROCERY & BAKING COMPANY  
PRESIDENT,  
PIGGY WIGGLY CORPORATION

CHARLES M. ROBERTSON, Cincinnati  
VICE-PRESIDENT AND TREASURER,  
THE KROGER GROCERY & BAKING COMPANY

JOHN R. RONEY, Chicago  
VICE-PRESIDENT,  
THE CONSUMERS' SANITARY COFFEE & BUTTER  
STORES (Chicago Branch of The Kroger Grocery &  
Baking Company)

CLARENCE O. SHERRILL, Cincinnati  
VICE-PRESIDENT,  
THE KROGER GROCERY & BAKING COMPANY

PAUL SIMS, New York  
BANKER

## PUBLIC AUDITORS

LYBRAND, ROSS BROS. & MONTGOMERY

## TRANSFER AGENTS

PROVIDENT SAVINGS BANK AND TRUST COMPANY—CINCINNATI

BANKERS TRUST COMPANY—NEW YORK

## REGISTRARS

THE CENTRAL TRUST COMPANY—CINCINNATI

COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK—NEW YORK



February 10, 1932.

## **To the Shareholders of The Kroger Grocery & Baking Company:**

The annual report submitted herein for the fiscal year beginning January 4, 1931, and ending January 2, 1932, is the first made since the adoption of the thirteen period (four weeks each) year. In the future, better comparisons between sales, earnings, commodity prices and other figures with corresponding previous periods can be made than heretofore.

The difficult year of 1931 had its effect on your company. Earnings for the first six periods were satisfactory, but during the last seven periods earnings declined with sales, and in this decline dollar sales kept almost identical pace with general economic conditions. Despite the decline in sales and earnings during these last seven periods, 1931 as compared to 1930 showed an increase in earnings per share, material improvement in current ratio, cash and United States Government securities, ratio of cash and United States Government securities to total current liabilities and net working capital and a reduction in merchandise inventories, as is shown graphically on the opposite page.

### **CAPITAL STRUCTURE**

On January 3, 1931, your company had outstanding non-callable preferred stock amounting to \$143,500.00, and common stock consisting of 1,813,486-6/20 shares of no par common stock. On January 2, 1932, the number of preferred and common shares remained the same, although on the former date the common shares were distributed among 16,945 shareholders, and on the latter date among 18,856 shareholders, an increase of 1,911 shareholders, or 11% during the year.

### **PERSONNEL**

Because of the importance to us of personnel, we sought to avoid a horizontal wage cut throughout the company, and instead have undertaken a salary and wage expense adjustment, which went into effect, in its completed form, on February 1, 1932. Its accomplishment required effort and care, but we believe the consideration and individual attention given to every person and operation affected, has been more than justified by the response from the personnel.

Training courses for executives and employees, particularly supervisors, store managers and meat managers, initiated in 1930, have been continued and expanded.

The duties of almost every important executive position in the operating department of your company, are discharged by men with long experience with the Kroger Company or in the grocery business generally. The record of the 39 chief operating executives shows they have been with the Kroger Company an average of 10 years, the longest service being 33 years, and have had an average of 15 years' experience in the grocery business, the longest being 33 years. It is a guarantee for the future that the grocery and merchandising operations are in experienced hands.

Since April 1, 1930, the effort and time involved in organizing, coordinating and gaining the co-operation of our personnel has been great. There is still much to be done, but the progress towards our objective has been substantial and it has been particularly in evidence during the last six months, when times have been difficult.

### **DIRECTORS AND OFFICIALS**

We regret to report that during the last year, Mr. B. H. Kroger, founder of the business and a member of the Board since the establishment of the corporation, asked to be relieved of his duties as Director. While Mr. Kroger had not been active in the business for a decade or more, his rugged and picturesque personality, his unyielding honesty of purpose and high sense of business ethics, his vigor and keen insight, continued to exercise an influence on all of the company's affairs with which he came in contact. His resignation is a loss to the company, which is in part recouped by the election of Mr. B. H. Kroger, Jr., as his successor.

Mr. George D. Crabbs, Director, resigned during the year because of pressure of other business, and was succeeded by Mr. Walter A. Draper, President of The Cincinnati Street Railway Company.

Mr. M. McClatchey, Director, resigned during the year.

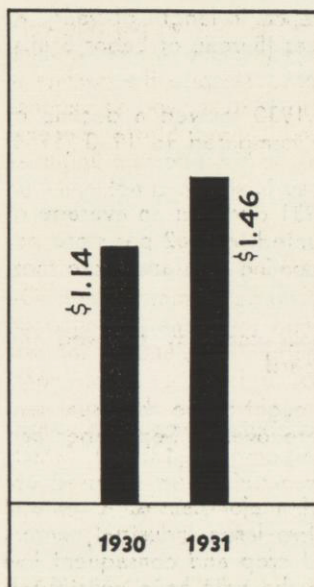
Mr. Otto Armleder, of Cincinnati, who has a large financial and sentimental interest in the company, was elected to the Directorate.

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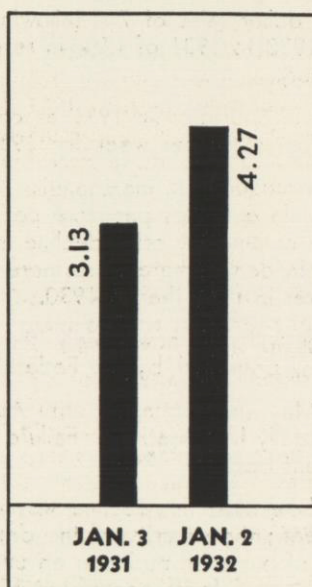


# COMPARISON OF FINANCIAL POSITION JANUARY 3, 1931, AND JANUARY 2, 1932

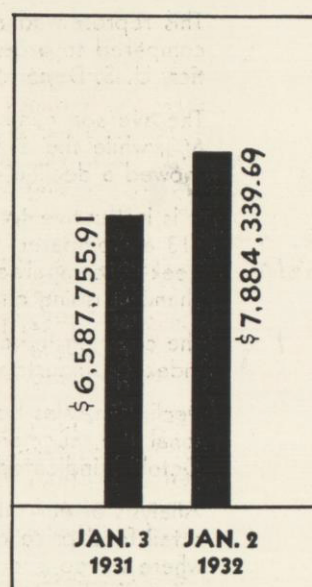
EARNINGS ON COMMON  
STOCK AFTER  
PREFERRED DIVIDENDS



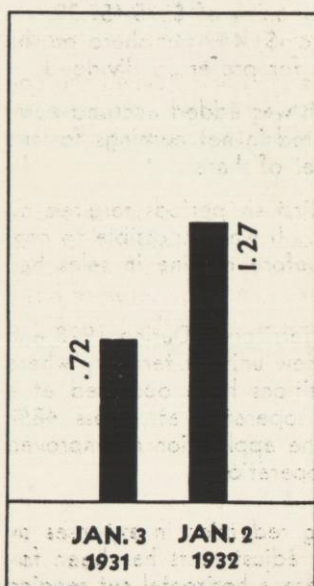
CURRENT RATIO



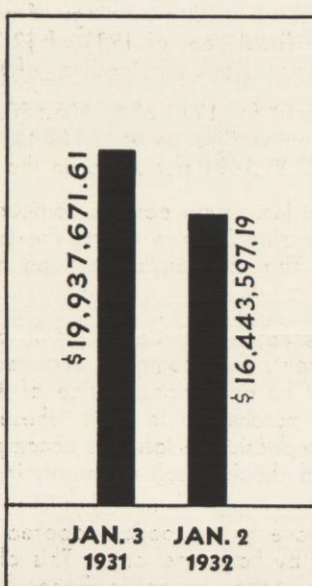
CASH AND U. S. GOV'T  
SECURITIES



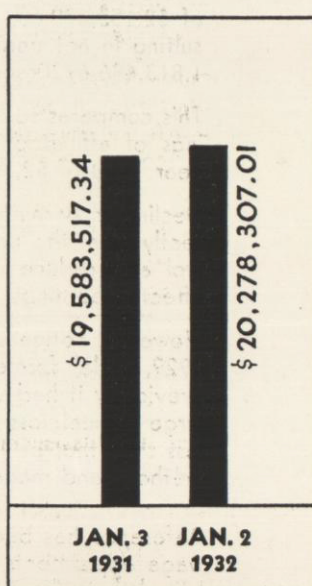
RATIO OF CASH AND U. S.  
GOV'T SECURITIES TO TOTAL  
CURRENT LIABILITIES



INVENTORIES



NET  
WORKING CAPITAL





Mr. J. B. Bonham, Director and Vice President, resigned during the year, to accept a position with another company.

All of the Directors not officials, have shown keen interest and activity in and about the affairs of the company. It is difficult to adequately express appreciation for the work and help that each of them has generously given.

## SALES

For the fiscal year 1930 (52 weeks and 4 days), dollar sales amounted to \$267,094,345.26.

For the fiscal year 1931 (four days less than 1930) dollar sales amounted to \$244,371,147.17.

This represented a decline in dollar sales of 7% (allowing for difference in length of year), as compared to a decline from 1930 to 1931 of 17% in retail food prices (Bureau of Labor Statistics, U. S. Department of Labor).

The average number of stores in operation in 1931 as compared to 1930 showed a decline of 6%, while the average sales per store per week for 1931 (\$941) as compared to 1930 (\$954) showed a decline of only 1%.

It is instructive to note that while our sales per store per week for 1931 declined an average of \$13 as compared to 1930, the commodity price decline in 1931 amounted to \$162 per store per week as compared to 1930. Evidently there were more customers coming into and more merchandise going out of our stores in 1931 than in 1930.

The chart on the opposite page will show how closely the sales of your company followed the Index of Industrial Production, prepared by the Federal Reserve Board.

Decline in sales beginning in May and continuing until August was thought to be the usual seasonal one, augmented by unusually hot weather. Failure of sales to recover in September and October indicated a permanent decline.

Analysis of our sales figures shows that this decline was due to three major causes: a general retail food price decline of 17%; the severity of the depression in five large industrial centers where we do about one-third of our total business; an unprecedented crop and consequent low prices in the territory we serve, of fruits and vegetables, which in the past have constituted a large percentage of our sales.

Shareholders can judge from these facts what the sales and earnings of the company will be when industrial conditions improve.

## EARNINGS

The attached consolidated income account as of January 2, 1932, shows a net operating profit of \$2,155,670.68, to which there is added earnings of affiliated companies of \$575,457.39, resulting in net earnings for the fiscal year of 1931 of \$2,731,128.07, or \$1.463 per share on the 1,813,486-6/20 shares of common stock outstanding, after providing for preferred dividends.

This compares to operating profit for 1930 of \$1,505,580.08, to which was added accrued earnings of affiliated companies amounting to \$662,667.40, which resulted in net earnings for the year 1930 of \$2,168,247.48, or \$1.1491 per share on the same number of shares.

Decline in earnings during the last seven periods compared to the first six periods resulted directly from the unexpected decline in sales during the latter period. It was impossible to control and reduce expenses in the company's far flung operations before decline in sales had affected earnings.

However, noticeable improvement was made in certain parts of our territory. During 1928 and 1929, under former management, your company acquired fourteen new units in territory where previously it had very small or no operations. Nine of these acquisitions have operated at a large annual loss since their purchase. In 1931, these nine units operated at a loss 48% less than that of 1930. This reduction in loss was accomplished by the application of improved methods and management and should result ultimately in profitable operations.

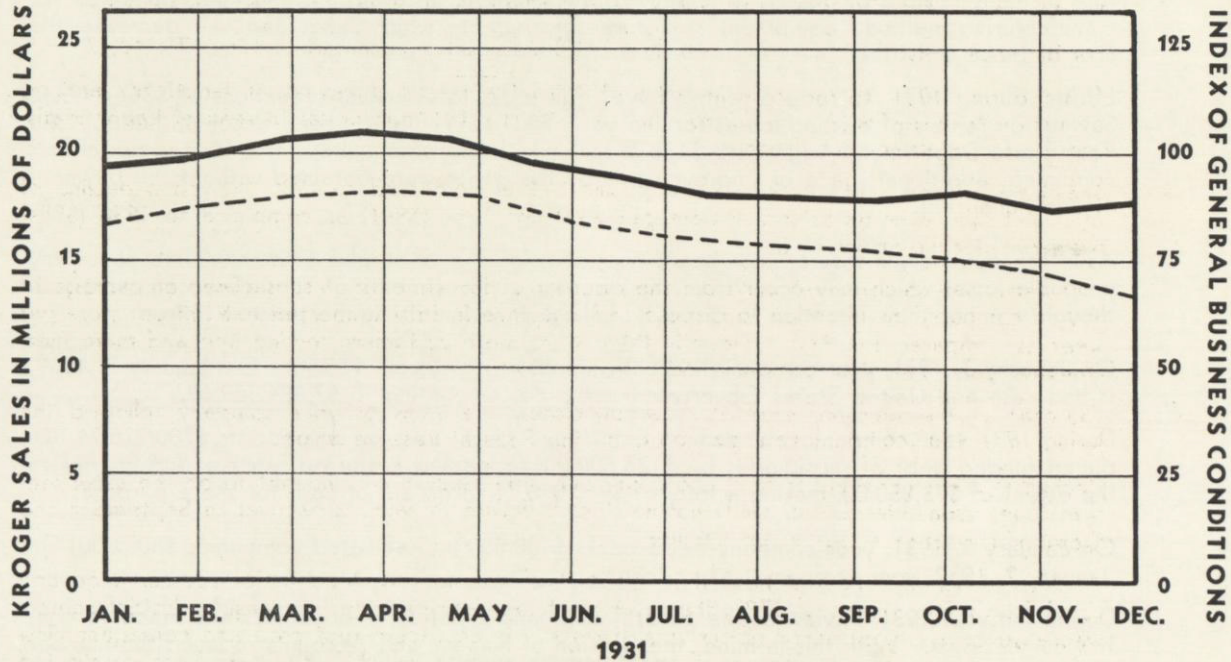
## EXPENSES

Reference has been made above to the policy adopted of effecting reduction in expenses by wage adjustments rather than by horizontal cuts. This plan of wage adjustments has been followed throughout the entire company except in General Offices, where a horizontal cut ranging

*Continued on Page Six*



## COMPARISON OF KROGER SALES WITH GENERAL BUSINESS CONDITIONS



- Sales of The Kroger Grocery & Baking Company by four-week periods, in millions of dollars.
- General business conditions as reflected by the index of industrial production prepared by the Federal Reserve Board. Average industrial production for 1923-1925=100.



from 5 to 30%, adjusted however, to particular conditions and circumstances, went into effect on February 1, 1932.

The Engineering Department, through the year, has established systems of warehousing, manufacturing and automotive transportation control which have been entirely lacking in the past. When completed they should give us an expense control over activities involving the expenditure of many millions of dollars. The same department is installing systems and standards for manufacturing methods, equipment and store construction, which have and will decrease the cost of these activities.

Efforts, during 1931, to reduce rentals have resulted in total annual reductions of \$364,872.00. Savings on rentals of existing leases for the year 1931 and future years, accomplished by the Real Estate Department, aggregate \$418,733.00. In many cases where the former rental was continued, additional space or improvements by the owner were obtained without the payment of additional rent.

## **SURPLUS**

As a precautionary measure, your Board has set aside out of surplus \$300,000.00 to cover any probable losses which may occur from the disposal of investments of subsidiary companies, although it is not their intention to dispose of these investments at the present time.

## **CASH POSITION**

On January 3, 1931, your company had cash amounting to \$6,587,755.91. On January 2, 1932, it had cash and United States Government securities amounting to \$7,884,339.69.

During 1931 your company refunded on employees' stock subscription deposits \$700,726.74, reduced funded debt of subsidiaries by \$135,500.00, redeemed Preferred Stock of subsidiaries to the extent of \$73,850.00, making a total of \$910,076.74 taken out of cash for these purposes.

## **LOANS**

On January 3, 1931, your company owed banks \$100,000 and affiliated companies \$800,000. On January 2, 1932, your company had no loans.

During the year 1931, in view of the general economic situation, every effort was made to control our deposits. With this in mind, the Division of Finance and Accounts reduced the number of our depositories from 1,508 banks on January 3, 1931, to 1,044 banks on January 2, 1932, a reduction of 464 banks, or 31%, thus giving us a better control of our cash.

## **DEPRECIATION**

The higher depreciation rates adopted during 1930 and applied to that year have been maintained during 1931. These rates are liberal and will be continued unless actual experience proves them to be excessive.

## **ACCOUNTING, AUDITING, BUDGETARY CONTROL**

The Accounting Department, reorganized by change of personnel, system and methods in 1930, has been further perfected and its methods improved.

An Auditing Department was established during 1931 which has reduced the cost of the services of our certified public accountants, and will furnish more prompt and adequate service to our branches and departments than could otherwise be obtained.

We are confident that our facilities for recording, reporting and checking the operations of the company are now second to none possessed by any company.

The installation and application of a more adequate and accurate cost accounting system for our factories has been completed and will be installed during the year 1932.

During 1931, a special Property Department was established, and is now engaged in a careful study and appraisal of all property and equipment. By the close of the present year our records will be complete and accurate with all property soundly valued.

The Budgetary System, installed during the early months of 1931, by which the future is judged and actual performance is checked against promised performance, has become a permanent policy and has proven its worth.

A Department of Statistics, Methods and Standards was established during 1931. It has improved many of our procedures, methods and forms by simplification and consolidation, and furnishes the officers and executives with adequate sales trends, comparisons of value and other figures.



## STOCK CONTRACTS

During 1920, the Board set aside, subject to the order of the President, a number of shares of your company's stock to be used for employees' stock contracts. During the following decade, the number of these shares increased enormously, due to stock dividends. Contracts covering these shares were made during the years 1920 to 1930 with various employees, for various amounts, at various prices. The contracts varied in terms, conditions and bases for calculation and lacked uniformity. No adequate records of them were kept on the books of the company.

Since April 1, 1930 there have matured 42 of these contracts, under which executives had the option to demand payment to them of an aggregate of \$543,034.15. Since April 1, 1930, the contracts so maturing have all been discharged and the contracts still in force call for the delivery of stock, which is in hand out of the shares set aside in 1920.

Another class of stock contracts allowed the employee to leave on deposit with the company from time to time sums not to exceed 15% of his wages, as part payment on a fixed purchase price. On April 1, 1930, there had been deposited by employees \$1,638,106.55, but no stock had been provided for delivery to employees. Since that date the market price has been lower than the various purchase prices named in this class of contracts.

From April 1, 1930 to January 2, 1932, we had returned to the employees \$1,618,999.13, with interest, on such stock purchase deposits, leaving a balance due employees of only \$19,107.42.

Complete accounts of both stock contract groups have been set up, audited, and certified by Lybrand, Ross Bros. & Montgomery.

Since April 1, 1930, when the present management was installed, there has been paid or returned to executives and employees under these two classes of contracts an aggregate of \$2,162,033.28.

No radical departures have been made during 1931 in operating policies and methods. Every effort has been made to adjust the policies to rapidly changing conditions and to improve and modernize existing methods of operating and merchandising.

A Display Department was established during the closing periods of 1931. In the past, the arrangement of merchandise in store windows and in stores, the preparation and hanging of window and store signs, has been a source of large but uncontrolled expense, and lacked uniformity. It was carried on by different departments and different branches, with many duplications. All store display has been centered in the new department, where the expense can be controlled and new and up-to-date standards and methods, adjusted to the needs of each branch and type of stores, may be evolved. New methods thus far evolved have been put into effect with surprising rapidity and constitute a complete departure from, and we hope a marked improvement in, food chain display methods.

On January 2, 1932, there were 4,884 stores in operation, as against 5,165 stores on January 3, 1931, a decrease of 281 stores, or 5%.

The average number of stores in operation during the fiscal year 1931 was 4,980, as compared to 5,302 in 1930, or an average decrease of 6%, which stores showed an average decline in dollar sales per store per week of 1%, as compared to a decline of 17% in retail commodity prices.

On January 2, 1932, there were in operation 2,869 meat markets as compared to 2,990 on January 3, 1931, a decrease of 121, or 4%. The average number of meat markets in operation for the year 1931 was 2,889 as compared to 3,033 in 1930, a decline of 5%.

During 1931 there were 874 stores remodeled and 156 new stores opened, making a total of 1,030 new and remodeled stores, or 21% of the total in operation at the close of the year. This extensive remodeling program was necessary because our stores in many localities had been neglected and a progressive policy required that they be brought up to date.

The 1932 remodeling program contemplates careful consideration of each separate store and its individual situation, remodeling to be undertaken only when it is determined to be clearly advisable.

## OPERATIONS

### STORE MAINTENANCE, EXPANSION, CLOSING



Effective January 2, 1932, a Department of Store Construction was established, which will determine and control store standards and plans and expenditures for remodeling.

During 1930 there was opened a new type of complete food market in Cincinnati, known as the Government Square Store. Similar markets, conforming in size and equipment to the size of the urban centers which they serve, have been established in Columbus, Ohio; Cleveland, Ohio; St. Louis, Chicago, Toledo, Charleston, W. Va.; Ashland, Kentucky; Staunton and Waynesboro, Virginia, and two additional markets in Cincinnati. The net earnings of these units have justified the investment.

On the date of the last annual report we had established grocery departments in the stores of Sears, Roebuck & Company in Cincinnati, Chicago and Minneapolis. Since then we have established grocery departments in Sears, Roebuck stores as follows: two in Detroit; two in St. Louis; one in Indianapolis; one in Kansas City; and one in Memphis.

## **ARMORED CAR SERVICE**

This service, operated in connection with a specially designed safe installed in each store, was established during 1931 for collection of store cash.

In the first two periods of 1931, before this system had been established, our average per period cash losses from hold-ups were \$4,763.50, against which no insurance could be obtained. During the last nine periods of 1931, after the establishment of this service, our average per period cash losses amounted to \$1,069.00, which represents a savings per year of \$48,028.50. The system has more than justified the expenditure for its establishment.

## **ACTIVE SUBSIDIARIES**

PIGGLY WIGGLY CORPORATION, which licenses operators to use its methods of merchandising, trademarks, patents, and labels, 99% of whose outstanding stock is owned by your company, has completed a modernization of its store layouts and methods during the past year, and these are being installed by many operators in many of their stores.

Several new and important patents for use in the Piggly Wiggly system have been evolved and patents applied for during the year.

The corporation had in operation on December 31, 1930, 2,767 licensed stores, and on December 31, 1931, 2,558 licensed stores. The decline in number of stores is due, in a degree, to the combining of smaller stores into larger units by some of our operators, and by the merger of two of our largest operators, which resulted in closing a number of stores because of duplication.

Due to an aggressive policy of promotion adopted during the past year, there were 33 new contracts signed with established and experienced operators since January 1, 1931, requiring the opening of 1,261 new stores during a period of years. Of this number 21 new contracts, calling for the opening of 1,211 stores over a period of years, have been signed since July 1, 1931. The terms of two other contracts have been agreed upon, one in a foreign country, and contracts are ready for signature.

The development of the last year and particularly of the last six months is in marked contrast to the two years preceding 1931, when the number of stores called for by new contracts was negligible, and is evidence of the value of the Piggly Wiggly method of merchandising.

WESCO FOODS COMPANY, a produce buying operation, the establishment of which was reported last year, is making satisfactory progress.

An "INSTITUTIONAL BUSINESS" corporation has recently been organized for the purpose of securing outlets for our merchandise, particularly those of our own manufacture, by selling to institutions that consume large quantities of food products.

## **KROGER FOOD FOUNDATION**

Report was made to you last year of the establishment of an institution devoted to the development of standards of food, quality and content, the inspection of merchandise purchased by Kroger, the enforcement of conformity with these standards and to the assistance of the housewife in home dietetics and nutrition problems.

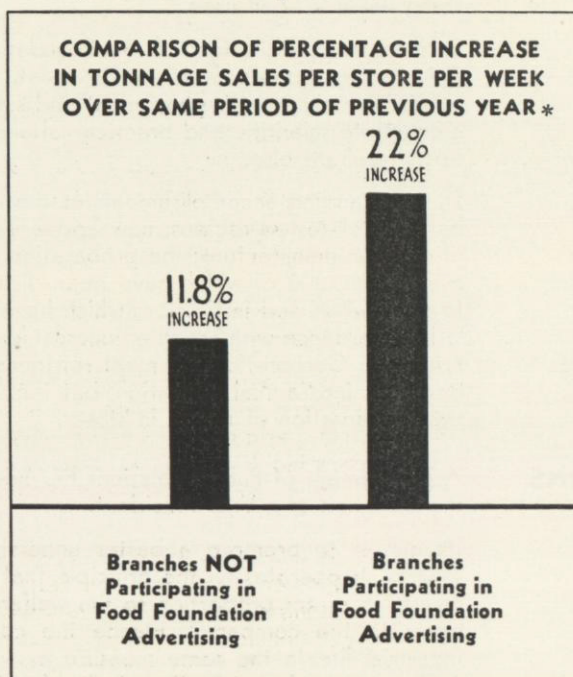
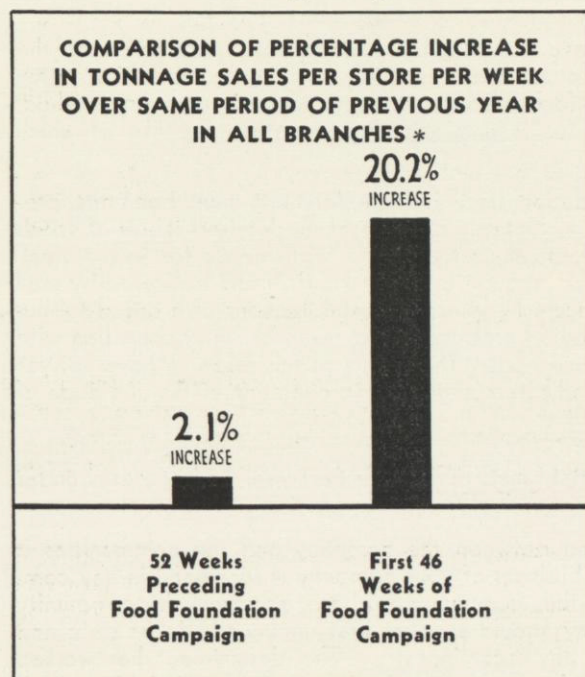
The story of the Foundation is told to the public through rotogravure advertisements in the

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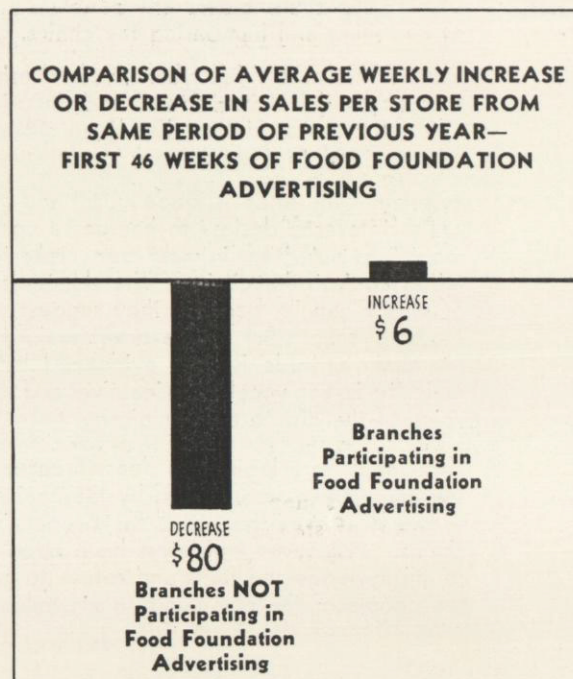
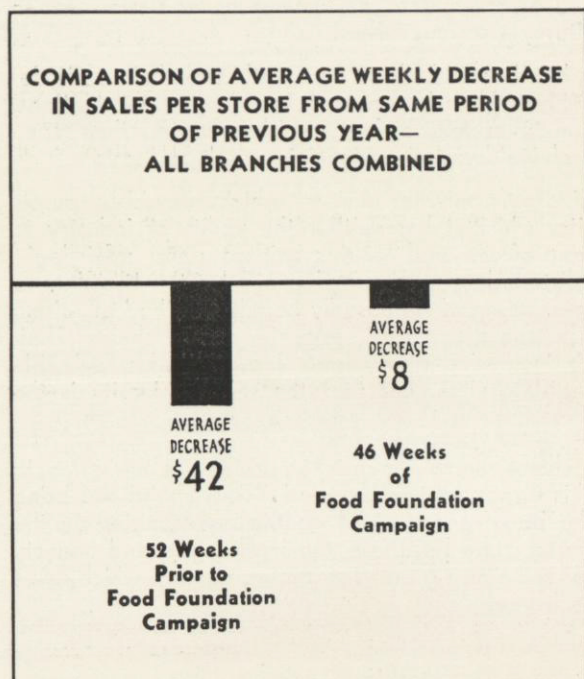
# RESULT OF FOOD FOUNDATION ADVERTISING

The Kroger Food Foundation campaign ran during the calendar year 1931, beginning with the issues of January 17 and January 18.



\*Every month the Bureau of Labor Statistics of United States Department of Labor compiles an index of retail food prices based on the prices of 42 articles of food (weighted according to their consumption) in retail stores of 51 cities.

Kroger's dollar sales in each month were divided by this index of retail food prices to obtain an estimate of tonnage sales. For instance, if the index drops from 110 to 100, it is evident that a dollar will buy 10% more food—if the index drops from 125 to 100, a dollar will buy 25% more food.





Sunday papers published in those localities where we operate under the Kroger name. Some of our branches, for good will purposes, still retain the name of predecessor companies. The graphs on the preceding page indicate the relative sales records in the Kroger branches where Foundation advertising has been used and the non-Kroger branches where Foundation advertising has not been used.

Permanent headquarters of the Foundation have recently been completed, located over the Government Square Store in Cincinnati. Thus under one roof is established a model institution for the examination, improvement and sale of food products of every sort and by every method, a complete scientific and practical laboratory for testing and demonstration, the like of which exists nowhere else.

The outstanding accomplishments of the Foundation since its establishment have been the preparation of tested recipes, now appearing on an entirely new set of modernized labels of foods of our own manufacture; the preparation of practical cost budgets, with menus for every meal, over 10,000,000 of which have been distributed through our stores and 21,647 delivered by mail to housewives and institutions which have requested copies; the establishment of a bread formula in accordance with which an unusual loaf is being produced; and research, in cooperation with Frigidaire Corporation, on meat refrigeration methods. The results of this research have not yet been put into actual operation, but there is indicated a great improvement in the methods of the preservation of meats in stores.

## **PUBLIC RELATIONS**

A department of Public Relations has been established during the past year and operates under the direction of a Vice President.

Its aim is to promote a better understanding between the company and the communities it serves. It operates on the principle that the business of your company is successful in any community in direct proportion to the welfare of that community and the good will the community bears to the company. Hence the company should support that community in its civic and industrial life in the same measure as would any local industry. The department has worked out a system of contributions to local civic affairs, based on the proportion of the company's business done in a community, and the contribution made by local industries of similar size.

Your company is now a member of the Chamber of Commerce or similar institution in practically every center where it does business, and its Branch Managers are encouraged to become active in civic affairs.

## **ANTI-CHAIN STORE LEGISLATION**

Our 18,856 shareholders are deeply concerned as to whether discriminatory legislation, aimed at curtailing and hampering the chains, constitutes a serious threat.

During the past three years, your President has been in close touch with anti-chain activities throughout the United States and since May, 1930, when he became President of the National Chain Store Association, has been called upon to appear before Legislatures and their committees, and to attend many conferences involving legislative policies and legal actions.

Anti-chain agitation is made vocal and cohesive by a militant minority which, moved by purely selfish interests, desires to hamper a competitor which it has neither the ability or industry to meet. Its activities, in most cases, take the form of demands for discriminatory and unfair legislation against the chains. The demands are listened to with complacency by the Legislatures or City Councils, because they suggest an easy, new and supposedly popular method of raising more revenue. But in the great majority of people there is no opposition to the chains. Their pro-chain attitude is best evidenced by their increasing patronage. However, this favorable majority is non-vocal and inactive and the legislator imagines that the selfish minority is the voice of the disinterested majority.

Anti-chain store legislation does threaten the chains' narrow margin of profit and the price to the consumer now furnished by the chains. This threat can be avoided if the chains will bring to the legislators the actual facts regarding the benefits conferred on the communities by the chains. Wherever legislators have been informed, they have had the intelligence and honesty to acknowledge the facts and refuse to hamper or harm a great distributing agency, which saves the people of the community many millions each year.



The facts regarding the chains and the public favor in which they are held by a majority of the people can only be brought to legislators by actual communications. Our shareholders and those of every other chain can protect their interests in an entirely proper way by keeping themselves informed as to any threatened anti-chain legislation, either in their municipal Council or in their state Legislatures, and protesting against this discriminatory and unsound legislation.

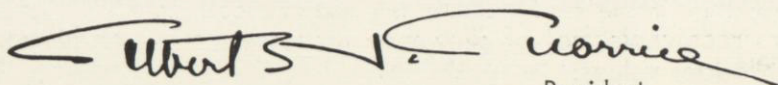
In the past, semi-annual reports of earnings have been issued by your company. The Board of Directors has in the past felt that the publication of quarterly reports would cause wide fluctuations in the price of your company's stock. The Board has and will continue to give careful consideration to this question of more frequent reports to the shareholders.

The management, since April 1, 1930, has believed that the future of your company lay in being something other than just another grocery chain. To make your company "different," it must appeal to the consuming public as a food distributor which gives high-class service and superior quality of merchandise, but this policy will be and has been modified to conform to the present economic conditions.

You shareholders own this company. Its officers and executives bear the same relation to you as a trustee bears to a beneficiary. The obligations incident to this relationship are fully realized by all officers and executives. Their every act has this premise as a basis. The best evidence of this is the loyalty and devotion shown to your President, to whose guidance you have entrusted the affairs of your company.

The courage, ability and initiative of the entire personnel has been remarkable and consistent, and this in an industrial situation the like of which has never been encountered before in the lives of any of them.

Respectfully submitted,



Albert S. Morris  
President.

**QUARTERLY  
REPORTS OF  
EARNINGS**



# THE KROGER GROCERY & BAKING CO

## CONSOLIDATED BALANCE

### ASSETS

#### CURRENT:

Cash in banks and on hand.....	\$ 5,524,652.19
United States Government securities, at cost (market value, \$2,227,500) .....	2,359,687.50
Accounts and notes receivable, net of allowances for those doubtful of collection:	
Customers .....	\$ 584,567.81
Employees .....	92,270.81
Claims, advances, etc.....	467,626.65
	<hr/>
	1,144,465.27
Inventories of merchandise, at cost or market, whichever the lower .....	16,443,597.19
Cash surrender value of life insurance.....	26,273.50
Prepaid insurance, rent, taxes, etc.....	711,754.48
Accrued accounts receivable, not due.....	263,847.10
	<hr/>
<b>TOTAL CURRENT ASSETS</b> .....	<b>\$26,474,277.23</b>
Deferred claims receivable, net of allowance for losses.....	122,689.09
Investments, at ledger values:	
Stock of affiliated company not included in consolidation, at cost, and undistributed accrued earnings .....	\$ 7,687,274.26
Other stocks, bonds, mortgage notes and accrued interest .....	306,514.63
	<hr/>
	7,993,788.89
Common stock of company purchased and held by trustees for sale to employees (15,891 shares).....	267,546.78
Land, buildings, equipment and leasehold improvements, at ledger values, net of allowance for depreciation.....	22,914,685.29
Store and general supplies and deferred charges to future operations .....	487,155.78
	<hr/>
	<b>\$58,260,143.06</b>
	<hr/>

We have audited the accounts of The Kroger Grocery & Baking Company and subsidiary companies for the period from January 4, 1931, to January 2, 1932, and we certify that in our opinion the accompanying balance sheet and surplus and

LYBRAND, ROSS BROS.



# MPANY AND SUBSIDIARY COMPANIES

## SHEET, JANUARY 2, 1932

### LIABILITIES

#### CURRENT:

Accounts payable, vendors, etc.....	\$ 4,744,918.78
Accrued expenses, taxes, etc.....	1,103,115.17
Provision for Federal income taxes.....	327,742.10
Dividends payable .....	1,086.75
Employees' deposits on subscriptions to unissued common stock .....	19,107.42

#### TOTAL CURRENT LIABILITIES.....

Funded debt of subsidiary companies.....	6,195,970.22
Preferred stocks of subsidiary companies.....	543,000.00
Reserves for uninsured losses, etc.....	927,650.00
	837,679.02

\$ 8,504,299.24

### CAPITAL AND SURPLUS

#### Preferred Capital Stock:

First preferred, 6% par \$100	
outstanding .....	\$81,400.00
Second preferred, 7% par	
\$100 outstanding .....	62,100.00

\$ 143,500.00

#### Common Capital Stock without par value: (Authorized 3,000,000 shares)

	Shares
Issued .....	1,830,878 6/20
Less, in Treasury (subject to purchase option expiring June 30, 1932) ..	17,392

Outstanding .....	1,813,486 6/20	32,963,276.30	
Paid in surplus.....		1,094,961.69	
Earned surplus, as annexed.....		15,554,105.83	49,755,843.82
			<u>\$58,260,143.06</u>

income accounts set forth correctly the financial position of the consolidated companies at January 2, 1932, and the results of their operations for the fiscal period ended that date.

& MONTGOMERY, Accountants and Auditors  
February 6, 1932



THE KROGER GROCERY & BAKING COMPANY  
AND SUBSIDIARY COMPANIES

**CONSOLIDATED EARNED SURPLUS**

For the period from January 4, 1931, to January 2, 1932

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Balance, January 4, 1931.....	\$15,086,186.84
Deduct, sundry surplus charges applicable to prior periods.....	<u>71,740.95</u>
Adjusted surplus, January 4, 1931.....	\$15,014,445.89
Net income for the fiscal period, as annexed.....	<u>2,731,128.07</u>
	\$17,745,573.96
Cash dividends paid.....	\$ 1,891,468.13
Allowance for probable decline in value of investments of subsidiary companies.....	<u>300,000.00</u>
	<u>2,191,468.13</u>
Balance, January 2, 1932.....	<u><u>\$15,554,105.83</u></u>



# THE KROGER GROCERY & BAKING COMPANY AND SUBSIDIARY COMPANIES

## CONSOLIDATED INCOME ACCOUNT

For the period from January 4, 1931, to January 2, 1932

Net sales .....	\$244,371,147.17
Cost of sales.....	187,021,394.47
	<u>57,349,752.70</u>
Operating expenses, excluding depreciation..	\$49,737,478.03
Administration expenses .....	2,064,342.26
	<u>51,801,820.29</u>
Profit from operations before allowance for depreciation	5,547,932.41
Net accrued earnings of subsidiary companies for the fiscal year .....	575,457.39
	<u>6,123,389.80</u>
Allowance for depreciation.....	3,148,207.66
Profit before interest and Federal taxes.....	2,975,182.14
Interest earned, net of interest paid.....	51,816.22
	<u>3,026,998.36</u>
Federal income tax, estimated.....	295,870.29
NET PROFIT FOR PERIOD.....	<u><u>\$2,731,128.07</u></u>



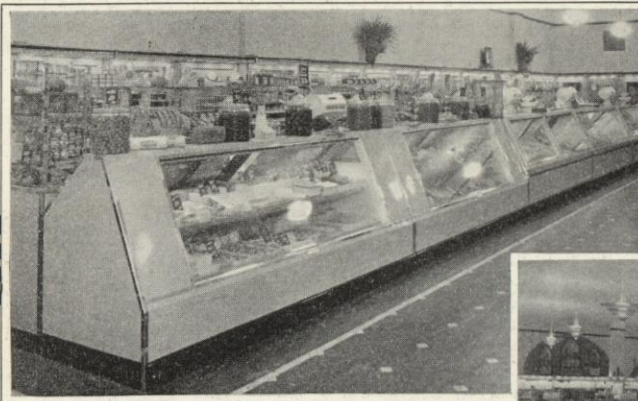


LEFT: A modern new Produce Department, typical of those designed by Kroger and installed in a number of stores during the past year. The self-service feature is an aid to the sale of fresh fruits and vegetables.

BELOW: One of 1931's "master-stores." Illustrated in the photo is the new modernistic, overhead sign, also the attractive window displays which were built in accordance with the plans of the Display Department, established during the year.



BELOW: Meat Departments, featuring a wide assortment of meats, are operated in practically all of the larger Kroger stores of today.



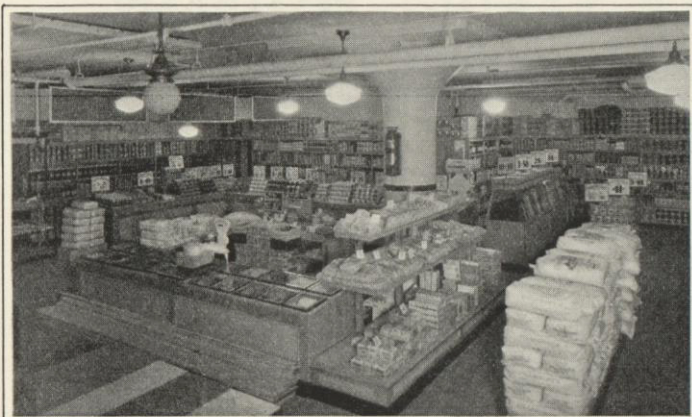
LEFT: Note, in conjunction with meats, the Delicatessen Department in the foreground, a new note in departmentalization in present day Kroger food stores.

RIGHT: In addition to the large and highly successful food store on Government Square in Cincinnati, master stores have been opened in downtown shopping districts in several other cities in which Kroger stores are operated. Among the largest and finest is the unit pictured at the right, completely designed and built under the direction of Kroger engineers. On all sides it was heralded as America's finest food store.



LEFT: The exterior of one of 1931's new modern stores. The beauty of the store front is typical of every detail of the interior. Merchandise, as is true in many other large Kroger stores, is departmentalized. Meats, groceries and other items have their separate locations in the store. At the recent opening of this unit a number of civic leaders and prominent business men were present.





LEFT: In 1931 an increasing number of Kroger meat and grocery units were opened in Sears Roebuck stores. The photo shows a typical unit.

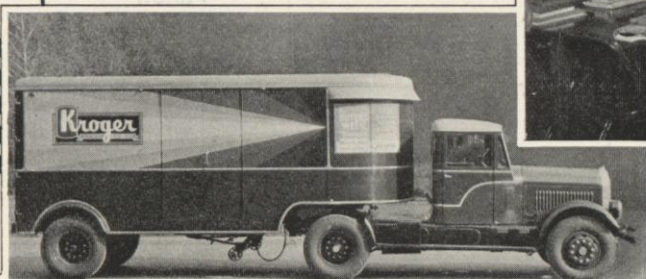
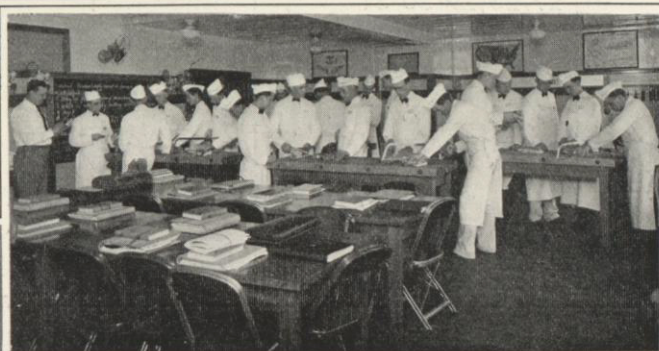
BELOW: An important part of the Kroger Food Foundation laboratories, opened in 1931 in Cincinnati, is the flour testing laboratory illustrated below. Shown in the photo are Foundation scientists engaged in scientific research and tests.



LEFT: A modern, up-to-date kitchen where menus are prepared and tested, forms another vital part of the laboratories of the Kroger Food Foundation.

RIGHT: In the past year, schools were opened in practically all Branches in order to scientifically train men for work in the stores.

BELOW: Another of 1931's developments was the tractor and trailer unit pictured below, faster and more economical than any used heretofore.



BELOW: At Carbondale, Illinois, the building pictured was constructed in 1931 to house Branch headquarters. An office, warehouse and transportation unit are included.





**FISCAL YEAR 1932**

### Thirteenth Period

18





Country Club, one of several brand names for Kroger manufactured items, representing food merchandise that is among the world's finest



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